

*Chum Limited
Annual Report
year ended
August 31, 1977*

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CHUM LIMITED

HEAD OFFICE

1331 Yonge Street, Toronto, Ontario M4T 1Y1

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company

Toronto, Ottawa, Montreal, Halifax

Regina, Calgary, Vancouver

SOLICITORS

Fasken & Calvin

AUDITORS

Price Waterhouse & Co.

BANKERS

The Royal Bank of Canada

STOCK EXCHANGE LISTINGS

Toronto, Montreal, Vancouver

THE CHUM GROUP

BRITISH COLUMBIA

CFUN Vancouver
"Music by Muzak" for Vancouver and Victoria

ALBERTA

"Music by Muzak" for Calgary

MANITOBA

CFRW Winnipeg
CHIQ-FM Winnipeg

ONTARIO

CHUM Toronto
CHUM-FM Toronto
CFRA Ottawa
CFMO-FM Ottawa
CKPT Peterborough
CKQM-FM Peterborough
CKVR-TV Barrie
HUCHM Productions Limited
"Music by Muzak" for the Province of Ontario
National Security Systems Limited, Toronto
Goldfarb Consultants Limited, Toronto
Accu-Tab Computer Services Limited,
Toronto
Ottawa Football Club Limited
The Telephone Store Limited, Toronto

MARITIMES

CJCH, Halifax
CIOO-FM, Halifax
Atlantic Television System
— CJCH-TV Halifax
— CJCB-TV Sydney
— CKCW-TV Moncton/Charlottetown
— CKLT-TV Saint John

DIRECTORS AND OFFICERS

Allan Waters
Toronto
President, CHUM Limited

J. Wesley Armstrong
Toronto
Vice-President, Sales, CHUM Limited

Alexander A. Forbes, C.A.
Toronto
Vice-President, Finance and
Secretary-Treasurer, CHUM Limited

A. Deane Nesbitt, O.B.E., D.F.C., B.Eng.
Montreal
Chairman of the Board,
Nesbitt, Thomson and Company, Limited

Fred Sherratt
Toronto
Vice-President, Programming and
Operations, CHUM Limited

Ralph T. Snelgrove
Barrie
Chairman of the Board, CKVR Channel 3
Limited

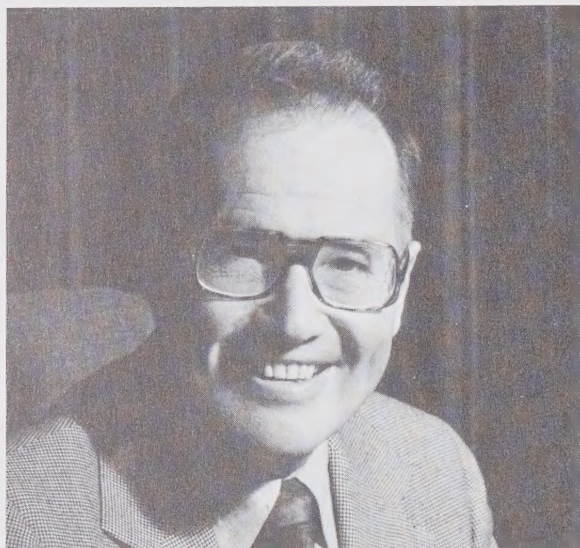
Robert M. Sutherland, Q.C.
Toronto
Partner, Fasken & Calvin

Taylor C. Baiden, B.Comm., C.A.
Toronto
Controller, CHUM Limited

FINANCIAL HIGHLIGHTS

	<u>Year ended August 31</u>	
	<u>1977</u>	<u>1976</u>
Revenue, less agency commissions	\$37,778,000	\$34,582,000
Net earnings before extraordinary items	2,982,000	3,708,000
Earnings per Class B and Common Share before extraordinary items .	0.91	1.13
Net earnings per Class B and Common Share	0.92	1.19
Working capital from operations	5,388,000	5,748,000
Provision for income taxes	4,359,000	4,477,000
Working capital at end of year	6,765,000	7,014,000
Long-term debt	3,865,000	4,731,000
Shareholders' equity	24,590,000	22,349,000
Dividends paid		
— Class B shares	526,000	521,000
— Common shares	264,000	264,000
Capital expenditures	2,914,000	1,995,000

REPORT TO THE SHAREHOLDERS



Allan Waters, President.

To: The Shareholders

As I mentioned in our last Annual Report, the CHUM Organization emphasizes sales training and development of strong retail sales forces which are absolutely essential during this period of economic uncertainty. These sales development programs were continued and expanded during the past year, and as a direct result we were able to increase our revenue for the year ended August 31, 1977 to \$37,778,000, a 9% increase, while maintaining fee structures in accordance with the requirements of the Anti-Inflation Act. The first quarter of our current fiscal year is not yet complete, but I am pleased to report that sales and bookings are ahead of the same period last year.

It will be our goal for 1978 to maintain, or improve, our present rate of sales growth.

We have plans for expansion in Broadcasting and other related areas, and if these plans come to fruition, 1978 could be an exceptional growth year for CHUM Limited.

While there was an increase of 9% in revenue, operating expenses continued to rise and were 16% higher than the previous year, resulting in decreased earnings for the year. However, many expenses were of a non-recurring nature and will not adversely affect 1978 earnings.

We experienced higher than anticipated costs applicable to the startup and continued development throughout Canada of our sales, marketing and service organization, together with the development and introduction of new lines in certain of our non-broadcasting divisions. This situation has now stabilized, and I am confident that the coming year will show profitable performances in these divisions.

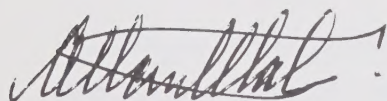
Throughout the year, installations were completed to improve the quality and signal strength of the Halifax AM station and Winnipeg AM and FM stations; two new FM stations were constructed at Peterborough and Halifax. These were all major projects involving heavy capital expenditures, and during the construction period there were disruptions beyond our control that resulted in additional costs. However, the installations are now complete. The stations are on the air and being well received by both audience and advertisers.

With the rapid advances in technology and increased competitiveness, it is essential that we keep updating and improving our equipment. This we have done. Including the above items, we invested \$2,914,000 in equipment both broadcasting and non-broadcasting, as compared with \$1,995,000 in 1976.

In April, 1977, Radio Station CFRA Limited, a company wholly owned by CHUM Limited, acquired all the outstanding shares of the Ottawa Football Club Limited. Subsequently, 5% of the Common shares were resold to a former minority shareholder. As it is not practical to assess the financial results of the Club until the end of the football season, no recognition has been given to any operational figures in the consolidated financial statements. However, I am pleased to report that, at this date, the 1977 season shows an excellent increase in both attendance and receipts as compared with 1976.

During the year, we decreased our bank loan by \$900,000; spent \$2,914,000 on capital items; acquired the Ottawa Football Club; and still maintained an excellent working capital of \$6,765,000.

At the present time, the forecasts for the Canadian economy are not encouraging. We agree that conditions are not as healthy as we would like them to be. However, we feel strongly that the solutions are to be found in the marketplace by business and labour, and while the Government of the day can assist, it cannot solve the problems on its own.



Allan Waters,
President.

Toronto, Ontario
November 10, 1977

AUDITORS' REPORT

To the Shareholders of CHUM Limited:

We have examined the consolidated balance sheet of CHUM Limited and subsidiary companies as at August 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a subsidiary company.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at August 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Toronto, Ontario
November 3, 1977

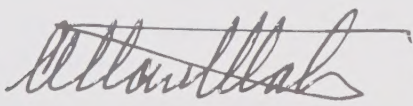
CHUM Limited AND SUBSIDIARY COMPANIES


CONSOLIDATED BALANCE SHEET

ASSETS

	August 31	
	<u>1977</u>	<u>1976</u>
Current assets:		
Cash	\$ 1,351,429	\$ 1,332,080
Short-term deposits	2,403,900	2,057,000
Accounts receivable	7,276,451	6,046,900
Inventories, at the lower of cost and net realizable value	462,388	170,552
Prepaid expenses and other assets	367,404	497,591
	<u>11,861,572</u>	<u>10,104,123</u>
Investments (Note 2)	407,192	605,810
Fixed assets, at cost:		
Land	1,532,731	1,496,883
Buildings and equipment	19,932,648	16,909,029
	<u>21,465,379</u>	<u>18,405,912</u>
Less: Accumulated depreciation	13,357,866	11,866,911
	<u>8,107,513</u>	<u>6,539,001</u>
Other assets:		
Franchise and patents, at cost less amortization ..	500,966	423,580
Excess of cost of shares of subsidiary companies over book value of underlying assets and other goodwill, at cost less amortization (Note 3)	16,238,548	15,274,113
	<u>16,739,514</u>	<u>15,697,693</u>
	<u><u>\$37,115,791</u></u>	<u><u>\$32,946,627</u></u>

APPROVED BY THE BOARD:

 Director

 Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	August 31	
	<u>1977</u>	<u>1976</u>
Current liabilities:		
Bank loans	\$ 1,885,500	\$ 50,000
Accounts payable and accrued liabilities	2,417,506	2,118,592
Income taxes payable	755,476	908,544
Current portion of long-term debt	<u>38,302</u>	<u>12,750</u>
	5,096,784	3,089,886
Long-term debt (Note 4)	3,865,267	4,731,069
Minority interests	3,563,569	2,776,759
Shareholders' equity:		
Capital stock (Note 6)		
Non-voting Class B shares without par value —		
Authorized — 8,000,000 shares		
Issued — 2,192,500 shares	9,516,660	9,516,660
Common shares without par value —		
Authorized — 1,500,000 shares		
Issued — 1,100,403 shares	987,630	987,630
Retained earnings	<u>14,085,881</u>	<u>11,844,623</u>
	24,590,171	22,348,913
	<u>\$37,115,791</u>	<u>\$32,946,627</u>

CONSOLIDATED STATEMENT OF EARNINGS

	Year ended August 31	
	1977	1976
X Revenue, less agency commissions (Note 5)	\$37,778,340	\$34,581,724
Operating expenses	27,707,229	23,885,045
	<u>10,071,111</u>	<u>10,696,679</u>
Other expenses (income):		
Interest expense, including \$463,086 on long-term debt (1976 — \$580,319)	543,265	597,107
Interest and other income	(219,227)	(126,152)
Depreciation	1,378,190	1,194,021
Amortization of franchise and goodwill	90,614	81,613
	<u>1,792,842</u>	<u>1,746,589</u>
Earnings before income taxes and minority interests	8,278,269	8,950,090
Provision for income taxes	4,359,116	4,477,293
	<u>3,919,153</u>	<u>4,472,797</u>
Minority interests in earnings of subsidiary companies	936,698	764,893
X Net earnings before extraordinary items	<u>2,982,455</u>	<u>3,707,904</u>
Extraordinary items:		
Income tax reduction realized on the carry-forward of prior years' losses	249,100	195,000
Provision for loss on investment (Note 2)	(200,000)	—
	<u>49,100</u>	<u>195,000</u>
X Net earnings for the year	<u>\$ 3,031,555</u>	<u>\$ 3,902,904</u>
Earnings per Class B and common share:		
X Net earnings before extraordinary items	\$0.91	\$1.13
Extraordinary items:		
Income tax reduction realized on the carry-forward of prior years' losses	0.07	0.06
Provision for loss on investment	(0.06)	—
	<u>0.01</u>	<u>0.06</u>
X Net earnings for the year	<u>\$0.92</u>	<u>\$1.19</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended August 31	
	1977	1976
Source of funds:		
Operations —		
Net earnings before extraordinary items	\$2,982,455	\$3,707,904
Add: Charges not affecting working capital		
Depreciation and amortization	1,468,804	1,275,634
Minority interests in earnings of subsidiary companies ..	936,698	764,893
Working capital from operations	5,387,957	5,748,431
Income tax reductions relating to losses carried forward and goodwill	287,771	277,207
Issue of promissory notes (Note 3)	125,000	—
Issue of Class B shares	—	380,700
Other	—	3,475
	<u>5,800,728</u>	<u>6,409,813</u>
Application of funds:		
Additions to fixed assets	2,913,770	1,995,480
Reduction of long-term debt	990,802	867,750
Purchase of additional shares and notes of a subsidiary	—	380,700
Dividends paid	790,297	784,656
Dividends paid to minority shareholders of a subsidiary	163,270	140,750
Acquisition of subsidiaries and businesses, net of working capital assumed of \$379,923 (Note 3)	1,190,458	—
Other	1,580	24,404
	<u>6,050,177</u>	<u>4,193,740</u>
Increase (decrease) in working capital	(249,449)	2,216,073
Working capital at beginning of year	7,014,237	4,798,164
Working capital at end of year	<u>\$6,764,788</u>	<u>\$7,014,237</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended August 31	
	1977	1976
Retained earnings at beginning of year	\$11,844,623	\$ 8,726,375
Net earnings for the year	3,031,555	3,902,904
	<u>14,876,178</u>	<u>12,629,279</u>
Deduct: Dividends paid (24¢ per share) —		
Class B shares	526,200	520,560
Common shares	264,097	264,096
	<u>790,297</u>	<u>784,656</u>
Retained earnings at end of year	<u>\$14,085,881</u>	<u>\$11,844,623</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AUGUST 31, 1977

1. Accounting policies:

Consolidation —

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The accounts of Ottawa Football Club Limited, 95% owned, are included as at January 31, 1977, its fiscal year end.

Goodwill —

It is the Company's policy not to amortize the excess cost of shares of subsidiary companies and other goodwill relating to acquisitions made prior to April 1, 1974 since these amounts are considered to be of continuing value. Goodwill relating to acquisitions made after April 1, 1974 is being amortized on a straight-line basis over 20 years.

Depreciation —

Depreciation is provided in the accounts of the companies on the reducing balance method at the maximum rates allowed for income tax purposes which are buildings — 5%; equipment — 20% to 25%. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Income taxes —

The tax saving resulting from the portion of goodwill allowed as a deduction in computing taxable income is credited against the cost of the goodwill.

Franchise and patents —

The franchise and patents are being amortized on a straight-line basis over the period of the franchise agreement and the life of the patents.

2. Investments:

	August 31	
	1977	1976
57,600 non-voting redeemable preference shares, par value \$10 each, of Frolic Toys Limited, at cost	\$576,000	\$576,000
Less: Provision for loss	200,000	—
	<u>376,000</u>	<u>576,000</u>
Other, at cost	31,192	29,810
	<u>\$407,192</u>	<u>\$605,810</u>

The common shareholders of Frolic Toys Limited have agreed to ensure that the Company redeems or purchases for cancellation, at par value of \$10 each, 11,520 of the preference shares owned by CHUM Limited in each of the five years 1976 to 1980 inclusive. However, no shares have been redeemed or purchased for cancellation to date.

3. Acquisitions:

Effective January 31, 1977, Radio Station CFRA Limited, a wholly-owned subsidiary, acquired 95% of the issued share capital of Ottawa Football Club Limited. In addition, effective January 1, 1977 the Company acquired two other small businesses. Each of these acquisitions has been accounted for as a purchase.

The following is a summary of the transactions involved:

Underlying net assets acquired —	
Total tangible assets	\$ 757,450
Total liabilities	358,175
	<u>399,275</u>
Total intangible assets	150,000
	<u>549,275</u>
Cash consideration	1,445,381
Promissory note payable (Note 4)	125,000
	<u>1,570,381</u>
Excess of cost over underlying net assets acquired	<u>\$1,021,106</u>

4. Long-term debt:

	August 31	
	1977	1976
Term bank loan repayable in monthly instalments of \$75,000 from September 1978 to August 1982 with interest at 1½% above prime bank rate (1)	\$3,600,000	\$4,500,000
Promissory notes —		
Repayable in semi-annual instalments of \$12,500 from January 1978 to January 1982 with interest at 11%	112,500	—
Non-interest bearing (2)	41,933	81,933
Mortgages, with interest at 5% and 7% due in instalments to 1986	149,136	161,886
	<u>3,903,569</u>	<u>4,743,819</u>
Less: Current portion	38,302	12,750
	<u>\$3,865,267</u>	<u>\$4,731,069</u>

The principal repayments of long-term debt required in each of the next five years ended August 31, are as follows:

1978	\$ 38,302
1979	938,893
1980	939,527
1981	940,205
1982	928,432

- (1) The term bank loan is unsecured, however, if requested at any time by the bank, the Company has undertaken to provide, within thirty days, security consisting of general assignments of receivables of all companies in the group, fixed charges on the shares of the subsidiaries and floating charges on the assets of all the companies.
- (2) These promissory notes bear no due date and are payable only on agreement of all the shareholders of a subsidiary.

5. Revenue:	Year ended August 31	
	1977	1976
Revenue is divided in the following proportions:		
Broadcasting, less agency commissions	81%	82%
Other	19%	18%
	<u>100%</u>	<u>100%</u>

6. Capital stock:

- (a) The holders of the Class B shares are entitled to receive, if, as and when declared by the board of directors, annual non-cumulative dividends at the rate of 24¢ per share. No dividends shall be declared on the common shares in any year until dividends of 24¢ per share have been paid on the Class B shares. Whenever in any year dividends of 24¢ per share have been paid on both the Class B and common shares, any further dividends shall be paid equally on the Class B and common shares. The Class B and common shareholders are entitled to share equally in any distribution of the Company's assets on winding up.
- (b) Options are outstanding to purchase 20,000 non-voting Class B treasury shares exercisable prior to March 15, 1978 at \$12.00 per share, and at \$14.00 per share thereafter until expiry on March 15, 1983.

7. Income taxes:

As at August 31, 1977 certain subsidiary companies had non-capital losses available for carry forward to future periods, calculated on the accounting basis, amounting to approximately \$1,119,000. These losses are summarized as follows:

Losses for income tax purposes expiring mainly in 1982	\$ 635,000
Excess of undepreciated capital cost of fixed assets over net book value	484,000
	<u>\$1,119,000</u>

In addition capital losses of approximately \$416,000 are available to be carried forward against capital gains realized in future years.

No recognition has been given in the consolidated financial statements to the potential future tax saving resulting from the availability of these losses.

8. Lease commitments:

The Company and its subsidiaries are committed under leases for rental of properties and broadcasting facilities extending for varying periods to 1996 in the aggregate amount of approximately \$2,984,000. Rental expense for such facilities for the year ended August 31, 1977 amounted to \$441,000 and total payments required in each of the next five years are: 1978 — \$434,000; 1979 — \$369,000; 1980 — \$336,000; 1981 — \$298,000; 1982 — \$239,000.

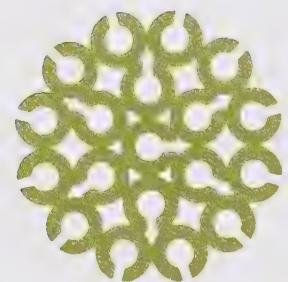
9. Anti-Inflation Program:

CHUM Limited and its subsidiaries are subject to, and believe they have complied with, controls on prices, profits, compensation and dividends under the Anti-Inflation Act.

In order to comply with the legislation, dividends on the Class B and common shares during the period from October 14, 1977 to October 13, 1978 may not exceed 25% of net earnings for the year ended August 31, 1976.

10. Statutory information:

Remuneration of directors and senior officers, as defined by the Business Corporations Act of Ontario, amounted to \$644,200 for the year ended August 31, 1977 (1976 — \$632,700).



CHUM Limited

TO THE SHAREHOLDERS:

I am pleased to report that CHUM Limited's net earnings for the six months ended February 28, 1977 increased to \$1,385,651 (or 42¢ per share) from \$1,300,399 (or 40¢ per share) for the corresponding period last year.

Revenue increased to \$18,010,352, from \$16,133,470 for the six months ended February 29, 1976.

CHUM Group sales, and bookings for the third quarter, are ahead of the same period in 1976.

The Spring, 1977 BBM Bureau of Measurement Survey confirms that ATV dominates television viewing habits in the Maritimes. On the average, over half the people watching television in Nova Scotia, New Brunswick and P.E.I. are watching ATV.

ALLAN WATERS,
President.

Toronto, Ontario
April 7, 1977



CHUM Limited

INTERIM REPORT FOR SIX-MONTH PERIOD

ENDED FEBRUARY 28, 1977

CHUM Limited

and SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS (not audited)

Six months ended
February 28
1976

Revenue, less agency commissions	\$18,010,352	\$16,133,470
Operating expenses	13,406,318	11,714,641
	4,604,034	4,418,829

Deduct (add):

Interest expense including \$258,561 on long-term debt (1976 — \$307,154)	260,829	312,988
Interest and other income	(103,821)	(46,301)
Depreciation	749,275	657,661
Amortization of franchise	36,000	36,000
	942,283	960,348

Earnings before income taxes and minority interests

	3,661,751	3,458,481
Provision for income taxes	1,821,461	1,727,105
	1,840,290	1,731,376

Minority interests in earnings of subsidiary companies

	454,639	430,977
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Net earnings for the six months

	\$ 1,385,651	\$ 1,300,399
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Earnings per Class "B" and Common share

	42.0¢	40.0¢
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Total Class "B" and Common shares issued

	3,292,903	3,245,903
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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (not audited)

Six months ended
February 28
1977

Source of funds:			
Operations —			
Net earnings for the period	\$1,385,651	\$1,300,399	
Add: Depreciation and amortization	785,275	693,661	
Minority interest in earnings of subsidiary companies	454,639	430,977	
Working capital from operations	2,625,565	2,425,037	
Proceeds on long-term note	125,000	—	
Other	—	475	
	2,750,565	2,425,512	
Application of funds:			
Additions to fixed assets (net)	1,412,828	786,492	
Reduction of long-term debt	824,079	833,555	
Dividends paid	263,100	257,460	
Dividends paid to minority shareholders	163,270	140,750	
Purchase of new business	194,858	—	
Purchase of Patent Rights	150,000	—	
Other	762	—	
	3,008,897	2,018,257	
Increase (decrease) in working capital	(258,332)	407,255	
Working capital at beginning of period	7,014,237	4,798,164	
Working capital at end of period	\$6,755,905	\$5,205,419	



news release

1331 Yonge Street
Toronto, Ontario M4T 1Y1
(416) 925-6666

November 18th, 1977.

Allan Waters, President, CHUM Limited, announced the Company's audited results for the year ended August 31st, 1977.

Earnings (before extraordinary items) totalled \$2,982,000, representing \$0.91 per Common and Class B share, as compared to \$1.13 last year on earnings of \$3,708,000.

Revenue increased 9% to \$37,778,000, compared to \$34,582,000 for the same period last year, within the requirements of the Anti-Inflation Act.

While there was an increase of 9% in revenue, operating expenses continued to rise and were 16% higher than the previous year, resulting in decreased earnings for the year. Certain expenses were of a non-recurring nature and will not adversely affect 1978 earnings.

Sales for this year's first quarter are ahead of last year, and sales and bookings for the second quarter are strong. II

Throughout the year, installations were completed to improve the quality and signal strength of the Halifax AM station and Winnipeg AM and FM stations; two new FM stations were constructed at Peterborough and Halifax. The stations are on the air and being well received by both audience and advertisers.

During the year CHUM Limited decreased its bank loan by \$900,000; spent \$2,914,000 on capital items; acquired the Ottawa Football Club; and still maintained an excellent working capital of \$6,765,000.

